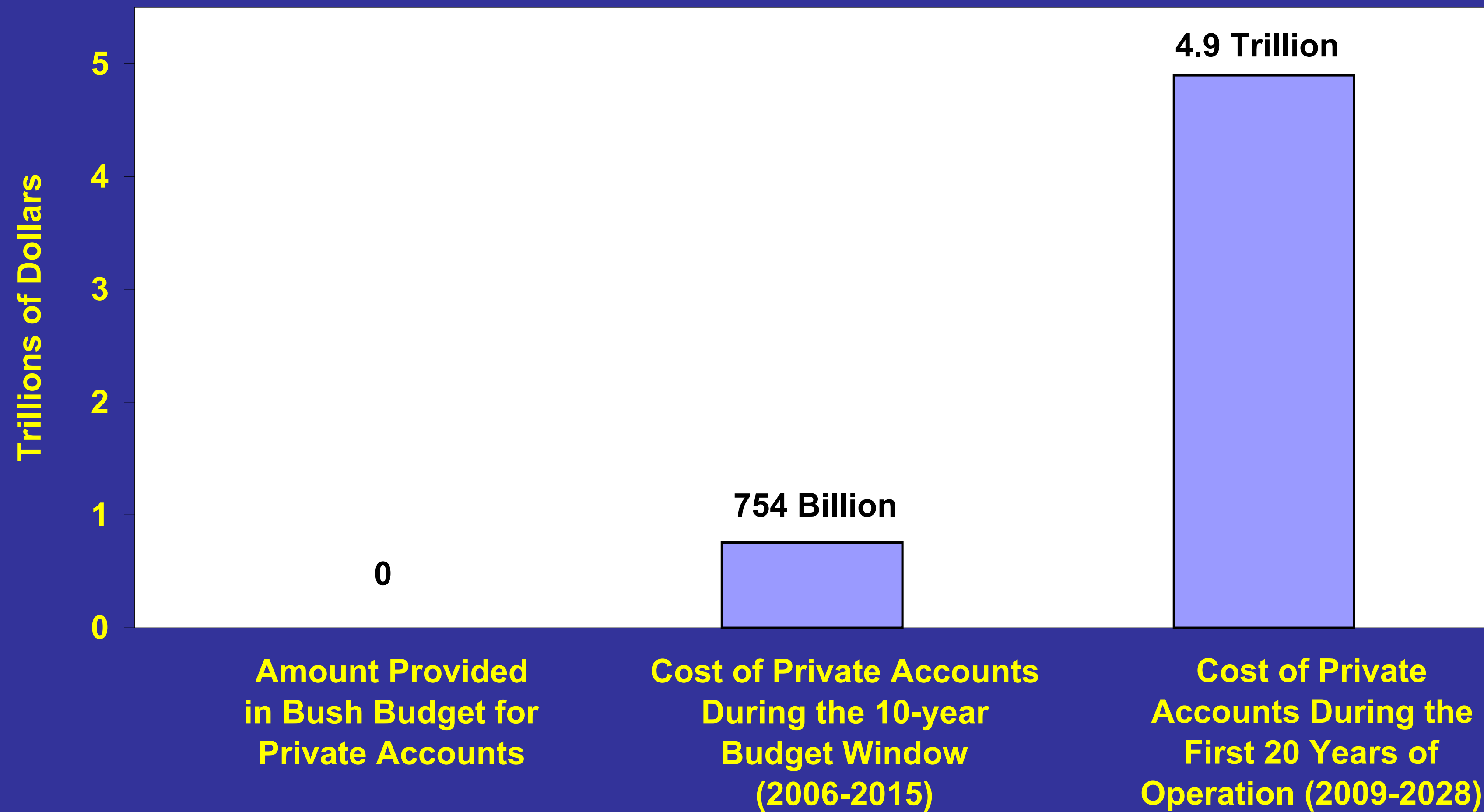
Overview: The President’s Plan for Private Accounts

- would require a massive increase in federal debt
- would weaken Social Security solvency
- would not increase national saving and could lower it
- would sharply cut guaranteed Social Security benefits under the President’s preferred full plan

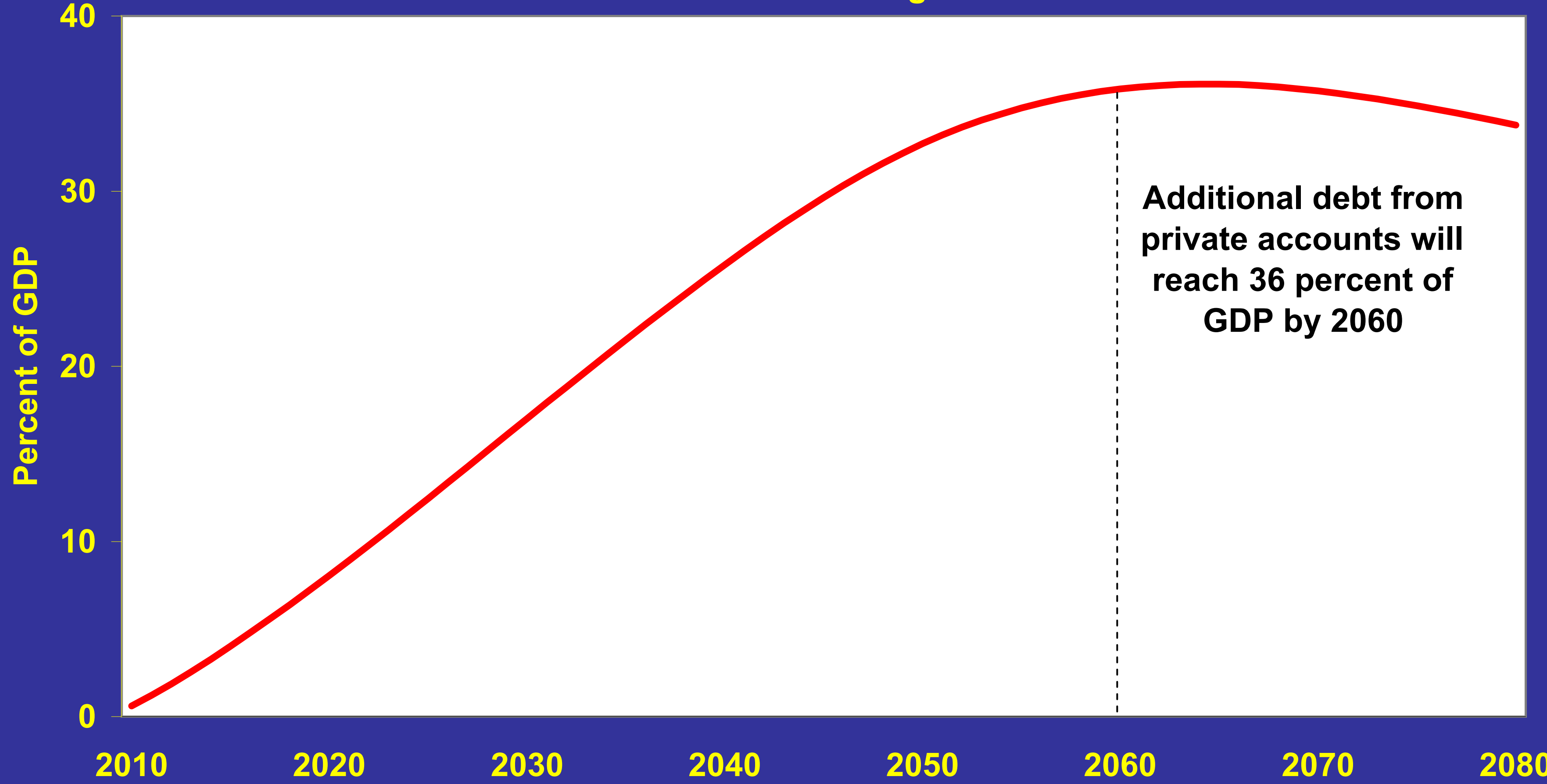
Chart 1: The President's Private Accounts Plan Would Cost $4.9 Trillion in the First Twenty Years



Source: Center on Budget and Policy Priorities and Joint Economic Committee Democratic Staff.

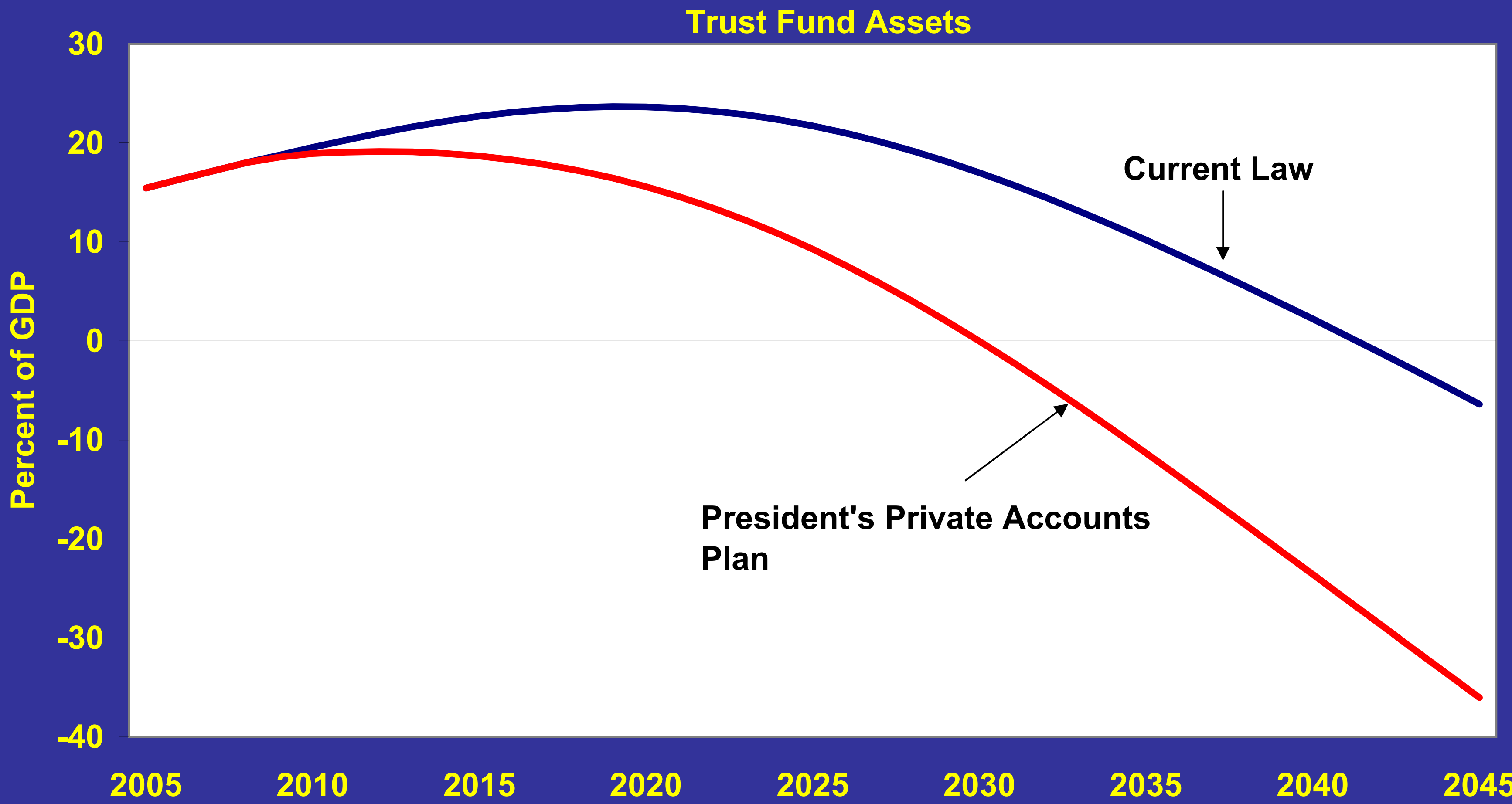
Chart 2: The President's Private Accounts Plan Would Lead to a Large and Sustained Increase in Debt

Additional Debt from Funding Private Accounts



Source: Center on Budget and Policy Priorities and Joint Economic Committee Democratic Staff.

Chart 3: The President's Private Accounts Plan Would Deplete the Social Security Trust Fund by 2030



Source: The 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds; Center on Budget and Policy Priorities; and Joint Economic Committee Democratic Staff.

Table 1: The President's Private Accounts Plan Would Increase the Long-Term Social Security Shortfall

		Present Value Over 75 Years (2004-2078) (trillions of dollars)
Current Social Security Shortfall (SSA estimate)		-3.7
President's Plan for Private Accounts		
Cost of Revenues Diverted to Accounts	-4.3	
Privatization Tax on Account Holders	2.8	
Net Cost of Private Accounts	-1.5	
Current Social Security Shortfall Plus Private Accounts		-5.2

Source: Center on Budget and Policy Priorities and Joint Economic Committee Democratic staff.

Chart 4: The President's Private Accounts Plan Would Not Increase National Saving

Public Saving Goes Down + Private Saving Goes Up = National Saving Unchanged at Best and Could Fall

(Increased Government Borrowing)

(Contributions to Private Accounts)

Reduction in Other Private Saving

Early Withdrawals from Private Accounts

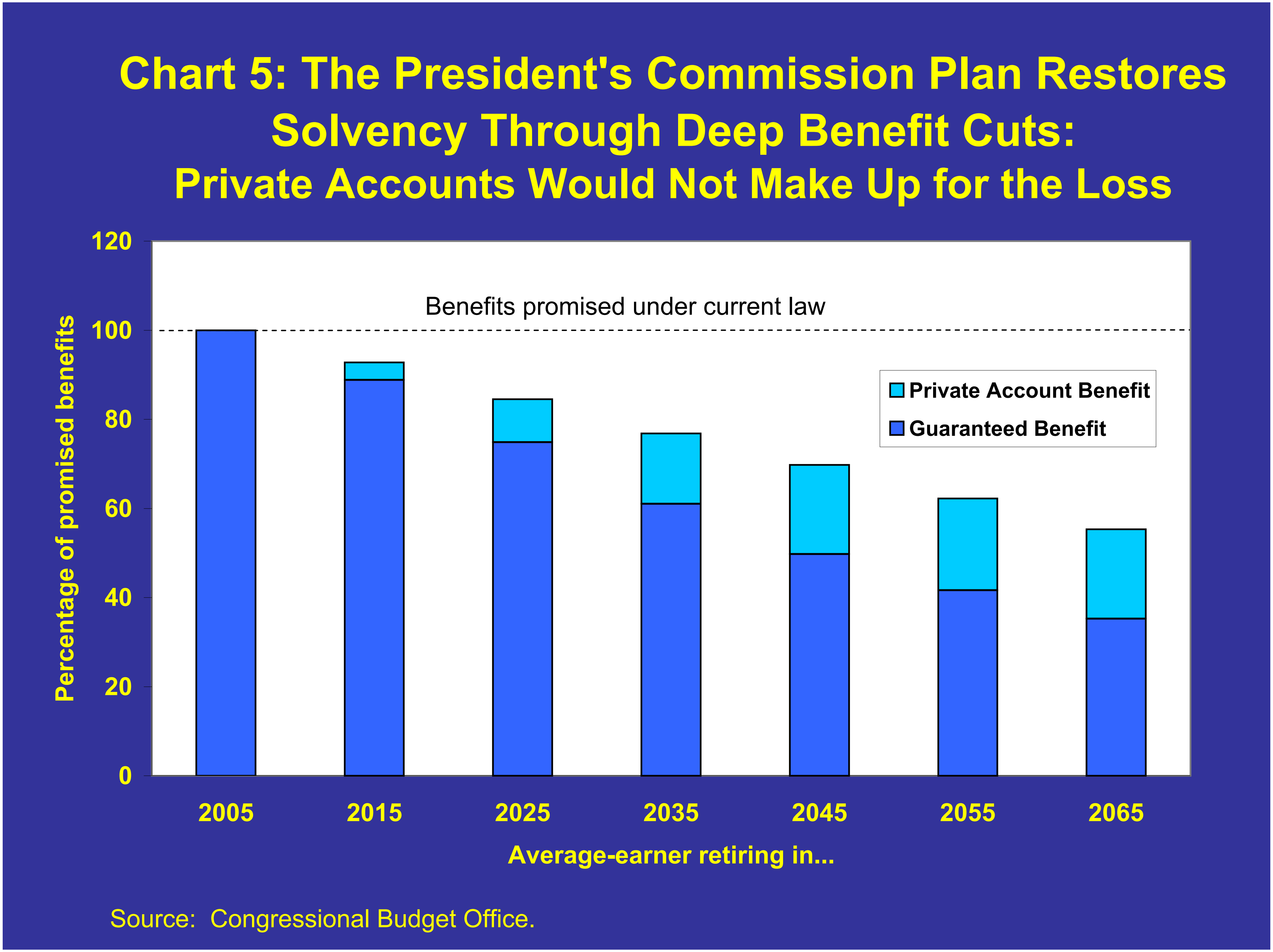


Chart 5: The President's Commission Plan Restores Solvency Through Deep Benefit Cuts:
Private Accounts Would Not Make Up for the Loss
Benefits promised under current law
Private Account Benefit
Guaranteed Benefit
Percentage of promised benefits
0
20
40
60
80
100
120
2005
2015
2025
2035
2045
2055
2065
Average-earner retiring in...
Source: Congressional Budget Office.